

Information Request DTE-6-1

- Q. Refer to Exh. KEDNE/JFB-1, at 4, 21. For each of the following, please:
- (a) Demonstrate that under the performance-based regulation ("PBR") plan approved by the Department in Boston Gas Company, D.T.E. 96-50 (1996) ("D.T.E. 96-50"), the Company achieved cost reduction and became more efficient regarding its distribution business. Discuss the specific areas where the Company achieved cost reductions, cost containment, and efficiency gains;
 - (b) Calculate the dollar amount of the total cost reduction achieved by the Company since the issuance of D.T.E. 96-50. Break down the total cost savings by cost category;
 - (c) Calculate the annual total cost growth since the issuance of D.T.E. 96-50 and compare this with the annual total cost growth during the ten years prior to D.T.E. 96-50. Indicate which costs were moved from base rates to the Cost of Gas Adjustment as a result of the Company's rate unbundling in D.T.E. 96-50. Show the results graphically using either line graphs or bar charts;
 - (d) For each cost category, calculate the annual cost growth since the issuance of D.T.E. 96-50 and compare this with the annual cost growth during the ten years prior to D.T.E. 96-50. Indicate the costs that are distribution-related and those that are not. Show the results graphically using either line graphs or bar charts;
 - (e) Calculate the growth in annual base distribution revenues since the issuance of D.T.E. 96-50 and compare this with the growth in annual base distribution revenue during the ten years prior to D.T.E. 96-50. Show the results graphically using either line graphs or bar charts;
 - (f) Using the results of (c) and (e) above, compare the annual total cost growth with the growth in annual base distribution revenue using either line graphs or bar charts; and
 - (g) Compare the results of (c), (d), and (e) above, with the rate of inflation for the period in question using line graphs or bar charts. Indicate the sources of the inflation data.
- A. Please see Attachment DTE-6-1. The electronic spreadsheet associated with the attached schedules and graphs will be forwarded by electronic mail.

Please note the following regarding the electronic version of the spreadsheet:

?? The tab labeled “Total” presents the compound growth rates for margin and expenses over the periods 1985-1996 and 1996-2002. This analysis shows that expenses in nominal dollars (not adjusted for inflation) rose by 4.9% per year between 1985 and 1996 as compared to 2.3% per year between 1996 and 2002. The analysis shows distribution revenue rising by approximately 4.1% per year between 1985 and 1996 as compared to 1.9% per year between 1996 and 2002.

In real 1985 dollars (adjusted for inflation), expenses rose by approximately 2.1% per year in the period 1985 through 1996 and 0.6% per year in the period 1996 through 2002. Distribution revenue increased by 1.5% in 1985 through 1996 and 0.2% in 1996 through 2002. In all cases the rate of growth is lower after 1996

?? The tab labeled “Chart DR-OM Actual” presents the regression analysis showing the growth in nominal dollars (not adjusted for inflation). For distribution revenues, the growth (interpreted as the slope of the fitted line from the regression equation) equates to \$11.7 million per year in the period 1985 through 1996 and \$4.68 million per year in the period 1996 through 2002. For expenses, the growth equates to \$6.0 million per year in the period 1985 through 1996 and \$5.2 million per year 1996 through 2002.

?? The tab labeled “Chart DR-OM 1985” presents the regression analysis showing the growth in real 1985 dollars (adjusted for inflation). For distribution revenue, the growth (interpreted as the slope of the fitted line from the regression equation) equates to \$4.2 million per year in 1985 through 1996 and -\$0.39 million in 1996 through 2002. For expenses, the growth equates to \$2.2 million in 1985 through 1996 and \$1.7 million per year in 1996 through 2002.

?? The tab labeled “Chart DR-OM A-85” combines the two charts discussed above on one chart.